

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 ISO-00 PA-01 PRS-01 USIA-06 AID-05

CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00 XMB-02

OPIC-03 SP-02 CIEP-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 /077 W

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R 211648Z AUG 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 2301

C O N F I D E N T I A L SECTION 01 OF 02 BONN 13624

DEPARTMENT PASS TREASURY FOR PELIKAN

E.O. 11652: GDS

TAGS: EFIN, GW

SUBJECT: GENTLEMEN'S AGREEMENT ON EXPORT CREDIT

1. DR. GEBERTH, FRG ECONOMICS MINISTRY, REQUESTED THAT WE PASS TO WASHINGTON THE FOLLOWING VIEWS CONCERNING THE JULY 16 US PROPOSALS FOR A POSSIBLE GENTLEMEN'S AGREEMENT. HE CAUTIONED THAT THESE WERE HIS PERSONAL VIEWS AND THAT OTHER PARTICIPANTS AT THE NEXT EC MEETING ON THE GENTLEMEN'S AGREEMENT, SCHEDULED FOR 18 AND 19 SEPTEMBER, COULD RAISE SOMEWHAT DIFFERENT ISSUES ON THE SUBJECT. FOR THIS REASON HE ASKED THAT WE STRESS THE PERSONAL BASIS OF HIS COMMENTS AND NOT COMMUNICATE THEM TO OTHER PARTIES.

2. GEBERTH'S COMMENTS ARE KEYED TO PROPOSALS A, B, C, AND D OF THE JULY 16 PAPER.

PROPOSAL A: GEBERTH IS NOW OF THE OPINION THAT HIS COMPROMISE, SUBMITTED AS IT WAS RIGHT AT THE END OF THE MAY MEETING ON THE GENTLEMEN'S AGREEMENT, WAS PREPARED IN SUCH A RUSHED AND HURRIED FASHION THAT IT IS FAR TOO
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GENERAL. HE MENTIONED THE NEED FOR SPECIFIC SECTORAL

LIMITATIONS AS THE MOST UNFORTUNATE OMISSION. HE SAID THAT AT THE TIME HE SUBMITTED THE COMPROMISE IN MAY HE SENSED IT WAS NECESSARY TO CONCLUDE THE MEETING WITH AT LEAST SOMETHING TANGIBLE IN HAND IN ORDER TO PRESERVE FORWARD PROGRESS ON A POSSIBLE GENTLEMEN'S AGREEMENT. US PROPOSAL A, IN GEBERTH'S OPINION, DOES NOT SUFFICIENTLY TIGHTEN THE COMPROMISE, PARTICULARLY IN THE SECTORAL AREA.

3. PROPOSAL B: THIS PROPOSAL IN GEBERTH'S MIND OFFERS THE MOST FERTILE GROUND FOR CONTINUED NEGOTIATION AND IT WILL BE A REFINEMENT OF THIS PROPOSAL THAT HE WILL PROPOSE TO HIS EC COUNTERPARTS IN BRUSSELS SEPTEMBER 18 AND 19. HOWEVER, AS THE US PROPOSAL B NOW STANDS, THERE ARE TOO FEW SECTORAL LIMITATIONS. HE OBSERVED OPTIMISTICALLY THAT THE US PROPOSAL LISTED, AS EXAMPLES, TWO SECTORS AND IMPLIED THAT ADDITIONS COULD BE NEGOTIATED. HE WILL ATTEMPT TO EXPAND THESE TO INCLUDE NON-NUCLEAR POWER PROJECTS (THERMAL OR HYDRO), STEEL PLANT PROJECTS (MILLS), SMELTERS, LNG PROJECTS, PETRO-CHEMICAL PROJECTS, OIL REFINERIES, OIL DRILLING RIGS, LOCOMOTIVES AND MINING PROJECTS. WITH REFERENCE TO THE SECTORS MENTIONED IN THE US PROPOSAL B GEBERTH FORESAW DIFFICULTY WITH BOTH THE MATURITIES AND AMOUNTS. SINCE RELATIVELY FEW STEEL PLANTS COST LESS THAN \$80 MILLION, HE FEARED IN SOME WAY THAT THE 12 YEAR LIMIT WOULD EMERGE AS THE ACCEPTABLE LARGE PROJECT STANDARD WHICH HE FEELS WOULD UNDERMINE THE SPIRIT OF AN UNDERSTANDING ON EXPORT CREDIT.

4. PROPOSAL C: GEBERTH FINDS THE US SUGGESTED INTEREST RATE AMENDMENTS UNACCEPTABLE SINCE IT MAKES COMPROMISE WITH THE FRENCH EVEN MORE DOUBTFUL.

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 13624

5. PROPOSAL D: GEBERTH VOICED SKEPTICISM WITH THE WORDING IN THE PARAGRAPH ADDED IN THE JULY 16 US PROPOSAL. DESPITE A POSSIBLE AGREEMENT TO CONSULT ON PROJECTS BEYOND \$200 MILLION, HE SENSED IN THE WORDING OF THE PARAGRAPH AN ELEMENT OF "TOTAL FREEDOM ON SUCH PROJECTS. GEBERTH ALSO ASKED WHETHER THE PARAGRAPH DEALING WITH NOVEL EVENTS OF MAJOR TECHNOLOGICAL OR POLICY DEVELOPMENTS WHICH MIGHT RENDER THE AGREED-UPON STANDARDS INAPPROPRIATE FOR A PARTICULAR PURPOSE REMAINS A PART OF THE JULY 16 US PROPOSALS. (NOTE: WE ARE NOT AWARE OF A DELETION OF THIS PARAGRAPH.) GEBERTH RAISED THIS FOR TWO REASONS: (1) A COMMUNICATION HE HAD RECEIVED FROM THE JAPANESE EMBASSY IN BONN IMPLIED THAT THIS PARAGRAPH HAD BEEN REMOVED; AND, (2) IT WAS HIS (GEBERTH'S) OPINION THAT THE PHRASE "POLICY DEVELOPMENT" WAS TOO VAGUE.

6. COMMENT: IN TALKING TO GEBERTH AND HIS DEPUTY, DR. SCHEELE, WE GET THE IMPRESSION THAT GEBERTH IS HAVING RESERVATIONS ABOUT HIS OWN COMPROMISE.
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